GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:1343
ANSWERED ON:07.03.2008
PRIORITY SECTOR LENDINGS BY BANKS
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Will the Minister of FINANCE be pleased to state:

(a) whether the Reserve Bank of India has reviewed the targets & achievement of all commercial banks for Priority Sector Lendings (PSL) as per the revised norms;

(b) if so, the details thereof and the action taken thereon;

(c) the number of banks failed to achieve target fixed as per the revised norms;

(d) whether Reserve Bank of India has imposed penalties on such erring banks for non- achievement of the target; and

(e) if so, the details thereof?

Answer

The Minister of State in the Ministry of Finance (Shri Pawan Kumar Bansal)

(a) & (b): The Reserve Bank of India(RBI) has revised the guidelines on lending to priority sector with effect from April 30, 2007. The priority sector lending targets/sub- targets have not been revised under the revised guidelines. However, the targets/sub-targets are now calculated as a percentage of Adjusted Net Bank Credit (ANBC) (Net Bank Credit plus investments made by banks in non-SLR bonds held in HTM category) or credit equivalent amount of Off-Balance Sheet Exposures (OBE), whichever is higher, as on March 31 of the preceding accounting year. These guidelines have been consolidated in a Master Circular on Priority Sector Lending dated 2nd July 2007 and are available on RBI`s Website (www.rbi.org.in).

(c): As reported by the RBI, in the year 2006-07, ten domestic Scheduled Commercial Banks, which include six Public Sector Banks and four Private Sector Banks, have failed to meet the targets fixed for priority sector lending.

(d) & (e): The domestic Scheduled Commercial Banks, which fail to achieve the priority sector lending target and/or agriculture lending target as on the last reporting Friday of March of a particular year, are required to deposit amounts, as allocated by the Reserve Bank, in Rural Infrastructure Development Fund (RIDF) established with NABARD. The foreign banks having offices in India, which fail to achieve the priority sector lending target/sub-targets as on the last reporting Friday of March of a particular year are required to contribute to Small Enterprises Development Fund (SEDF) with Small Industries Development Bank of India (SIDBI). As a disincentive against failure to achieve the targets, the domestic scheduled commercial banks and foreign banks are paid interest at rates ranging between the Bank Rate and Bank Rate minus 3 percentage points depending on the level of shortfall in achievement of the targets.